

2019/20 Revenue Budget

Conservative Recommendations to County Council

The County Council is recommended to plan its budget framework for 2019/20 on the following basis:

1. Financial Direction of Travel

- 1.1. We plan our budgets over the medium term. This allows for a more focussed and planned approach to prioritisation. It provides a degree of certainty and a sure-footed direction of travel where services can focus on delivery knowing the financial environment within which they will be required to operate.
- 1.2. 2019/20 is the last year of our current One Organisation Plan and we intend to continue to implement the Plan, only making changes where necessary. By the end of 2019/20 the budget will be balanced and sustainable into the future with no on-going spending need being funded from one-off resources without an approved exit strategy being in place. We will put in place sustainable solutions in respect of those services where structural overspends have emerged.
- 1.3. This will ensure we can start work on the development of our next 2020-25 Corporate Plan with confidence bringing together service and financial planning arrangements as part of the authority's new operating model. 2019/20 will be the start of this transformation with greater emphasis on an evidence-based approach to budget setting. Commissioning strategies, key business measures and performance management requirements will be aligned and consistent with the available resources of the authority.
- 1.4. In response, to ensure the finances of the Council are robust and sustainable we will:
 - Directly invest £6.8 million in our children's social care services, providing resources to meet costs arising from: the higher numbers of Looked After Children, the limited options to tackle the foster care / placement mix and additional support for those moving from care to independent living. In addition we will invest £2.8 million into a Children's Transformation Fund to invest in initiatives to reduce demand for children's social care over the medium term.

- Invest £7.3 million to protect our elderly citizens and vulnerable adults by raising the levy for adult social care to fund additional demand and manage winter pressures whilst still continuing to make progress on our vision of greater integration between health and social care.
- Invest £1.1 million in home to school transport to ensure we continue to provide services in line with our policy whilst being able to respond to the increasing demands on the service.
- Invest £0.4 million in the Waste Management service to meet the increased demand as a result of housing growth combined with the increased costs of contracts and recycling credits above the rate of inflation.
- Invest £0.3 million to create capacity to undertake property feasibility studies and steer organisational strategy in relation to digital and technology investment to ensure service redesign and transformation is not slowed.

1.5. We are beginning to see real positive impacts of our strategy of investing in growth and a vibrant economy. For the first time in recent years the growth in the taxbase means we have resources available to invest in services. We are determined to make the best use of the funding we have available. With evidence based decision-making we are looking to make step changes towards the delivery of our service objectives whilst ensuring any allocations do not cause difficulties with sustainability over the medium term. We will put in place rigorous prioritisation and evaluation processes before funding allocations are confirmed.

1.6. We will use the capacity to invest in Warwickshire's future, so that the economy is vibrant and we can use the proceeds from that to ensure our most vulnerable citizens are safe and that children and young people across the county have the opportunity to thrive and fulfil their potential.

1.7. We will invest:

- £2.0 million (£1.5 million one-off) in an ambitious Early Intervention, Prevention and Community Capacity Fund. The Fund will be used to support projects and initiatives that deliver the organisation's service objectives in relation to supporting Warwickshire's communities and individuals to be safe, healthy and independent. Allocations to individual projects will require business cases that are evaluated against criteria that will be agreed by Cabinet in April 2019.
- £1.0 million to generate additional capital so we can invest in the infrastructure of our County and meet the needs of services. Our capital resolution outlines our priorities for the use of the additional capacity this allocation provides.

- £2.0 million to maintain and enhance our work to ensure Warwickshire has a vibrant economy, working in partnership to maximise the benefits from opportunities. Specific proposals include:
 - £90,000 to support delivery of the 3 year forward plan for Tourism 2018-2022.
 - £60,000 to support the work of the Council as an active partner in the Coventry and Warwickshire Economic Growth partnership.
 - £200,000 to expand the capacity of our transport planning team to maximise the funding received from developers to deliver the infrastructure requirements associated with housing and business growth across the county.
 - £384,000 over three years to fund the activity of the LEP Growth Hub, subject to an annual review of progress made towards delivery of a sustainable service offer.
 - £266,000 to continue the work on HS2 mitigation for a further two years beyond 2019/20.
 - £1 million investment to deliver City of Culture projects over the next four years that maximise the opportunities for Warwickshire.
- £30,000 to provide funding for activity reflecting the County Council's policy commitment to the Armed Forces Covenant.
- £300,000 to extend the current investment in initiatives to tackle homelessness delivered jointly with the Districts and Boroughs across Warwickshire.
- £600,000 to provide an operational subsidy and preserve access to our heritage, subject to an annual review.

1.8. We will ring-fence the concessionary and public transport budgets and redirect the £500,000 structural underspend to provide transport solutions for our communities with a focus on tackling isolation and supporting vulnerable groups. We require that a report is brought to Cabinet in April 2019 to this end with clear criteria for assessing the benefit of proposals and initiatives including the effective use of community and commercial services, integration with existing arrangements and maximising the use of spare capacity.

1.9. The level of savings to be delivered and the choices we have made have not been taken lightly. But we will continue to be responsible and commit ourselves to targeting resources that will support our vision to make Warwickshire the best it can be. We are all consumers of the services the County Council provides. We also represent the tax payers of Warwickshire.

1.10. We do acknowledge the need for an increase in local tax. We will use the opportunity provided by the government to levy a 2% council tax to provide additional ring-

fenced resources to fund adult social care services. In addition, we require an increase of 2.99% on the council tax for all other services too. In total, this 4.99% council tax increase is equivalent of an increase of £1.31 per week for a Band D dwelling.

2. Adult Social Care

- 2.1. Adult social care is our largest consumer of resources. In November 2015 the Government announced that local authorities would be able to levy an additional 2% on top of their normal council tax increase each year, with this additional funding to be ring-fenced for use in adult social care.
- 2.2. We will continue to implement our plan to take the additional 2% levy for adult social care each year for the period 2017 to 2020 and will increase the resources available to deliver adult social care by at least the amount raised from the levy. We know that, both locally and nationally, this is a top priority for citizens. We expect the Service to manage within these funds and the additional funding provided by the Government through the Better Care Fund, meeting all demographic, statutory and inflationary pressures or through the delivery of the identified savings proposals. We expect the Service to continue to work with partners to manage the extent of any emerging demand-led spending pressure, thereby reducing the level of savings needed.
- 2.3. We believe this approach provides the flexibility needed by the Service to manage its resources in the most effective way. Our focus is the transformation of adult social care pathways, the way we deploy social workers and the enhancement of information and advice to enable people to shape their own solutions.

3. Dedicated Schools Grant

- 3.1. We continue to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant (DSG). Our policy remains that we do not intend to subsidise the DSG from our own resources. We will continue with the approach adopted last year of moving towards the implementation of the National Funding Formula for schools. Last year we put in place a review of non-schools block DSG spend against the Government's Operational Guidance and our strategic outcomes, with a view to improving the deployment of non-schools block DSG resources for maximum impact. The findings of the DSG Review were

reported to Cabinet in December 2018. The report identified a £4.0 million structural deficit.

- 3.2. Whilst proposals for bringing the DSG back into balance have been identified we recognise that achieving a balanced DSG budget is not possible in the short term. Therefore to ensure our budget remains robust we have allocated, as part of this resolution, £4.9 million of temporary funding (£3.3 million in 2019/20) to provide capacity to bring the DSG back into balance over three years.
- 3.3. However, given that our policy remains unchanged, we require that a report is brought to Cabinet by March 2019 for approval that sets out how the DSG will be brought back into balance within the level of allocations approved as part of this resolution.

4. Revenue Allocations

- 4.1. To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £42.749 million.
- 4.2. We will provide £12.996 million for the estimated cost of pay and price inflation in 2018/19, allocated between Services as shown in **Appendix A**. In making this allocation it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that some costs will increase above the standard rate and some below. Once the overall allocation has been agreed, a Service will have the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.
- 4.3. In addition to meeting the estimated cost of inflation we will also provide £29.753 million to meet additional spending need, of which £14.034 million is time-limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B** for time-limited allocations.
- 4.4. We expect Services to manage all other issues from within existing financial resource levels and support their planned use of £3.329 million of service reserves to provide capacity to invest in service change and to allow space to effectively implement service redesign/reprioritisation.

5. Funding Sources

- 5.1. Our savings plan will generate £14.221 million in 2019/20 and a further £1.941 million in 2020/21. Approval is given to the plans for the delivery of these savings detailed in **Appendix C**. However we recognise that some elements may require public consultation before a final decision is made. If during 2019/20 any of the savings do not materialise to the degree shown, the Assistant Director in conjunction with the relevant Strategic Director and Portfolio Holder should identify alternative proposals to ensure the savings targets are delivered and report this as part of quarterly monitoring.
- 5.2. Just under half of the authority's spending each year is on staffing. Therefore, any proposals to deliver savings of this level will require, in some areas, a reduction in the number of posts. Policies and processes are in place to enable us to effectively redeploy people. However, it has to be recognised, some redundancies will be necessary, resulting in a need to fund redundancy costs. Within these budget proposals we will retain £10.7 million in a Fund for realigning services, or more specifically to fund the up-front costs of redundancy. All allocations from the Fund must be made in accordance with the protocol issued by the Strategic Director of Resources.
- 5.3. Included within the roll-forward budgets are a number of other grants we receive from the Government for specific purposes. Any variations to the levels of funding received will be matched by an equivalent adjustment in the budget for the respective service.
- 5.4. We will use business rates funding of £67.821 million to support the overall budget of the County Council. In the event of business rates funding being above or below this level the variation will be managed by an adjustment to the Medium Term Contingency during 2019/20.
- 5.5. We will use the £1.453 million surplus from the collection of council tax to support the budget on a one-off basis.
- 5.6. We will provide sufficient resources to ensure the level of General Reserves is at least consistent with that stated by the Assistant Director for Finance and ICT as the minimum level of general reserves given the financial risks facing the authority. We will use £3.363 million of the available General Reserves to support our spending plans.

- 5.7. **The council tax will increase by 4.99%.** With the other funding resources identified, this will fund the proposals contained within this resolution.

6. Medium Term Financial Planning Framework

- 6.1. Since 2011, we have adopted a stepped approach to the development of our medium term financial plans and have a track record of delivering savings. We intend to continue with this approach with the development of a new corporate plan to take the organisation through to 2025. Our 2020-25 Corporate Plan will bring together service and financial planning arrangements as part of the authority's new operating model.
- 6.2. We recognise that beyond 2019/20 the changes to the system of local government finance as a result of the increasing moves towards self-sufficiency and the localisation of business rates means our financial planning processes will need to change as the level of income from local taxation will become increasingly variable and unpredictable. Our new medium term financial plan must demonstrate that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable.
- 6.3. We therefore ask Corporate Board to begin the preparatory work on developing our 2020-25 Corporate Plan so that commissioning strategies, key business measures and performance management requirements are all aligned and consistent with the available resources of the authority. As part of this process options to identify further savings of £20 million to £45 million over the five years 2020/21 to 2024/25 should be brought forward for consideration.
- 6.4. We expect the Plan to reflect on and respond to the Council's key strategic risks of:
- The challenges to service delivery of Government policies, new legislation, austerity and demographic pressure;
 - The continuing pressure on adults' social care services, health and special educational needs and disability provision;
 - The safeguarding of children and vulnerable adults;
 - The maintenance of the security of our systems and data;
 - The inability to secure economic growth in Warwickshire;
 - The ability to keep our communities safe from harm, and
 - The transformation programme being able to deliver the extent of change required to meet high priority targets and deliver strategic priorities.

- 6.5. To do this, the Plan should demonstrate how we will work with partners in Health, other local authorities, Police and other public agencies to deliver services. We require services to focus on the preventative agenda to manage demand downwards, so we can secure even more value for money.
- 6.6. We recognise this means significant challenges for the organisation, beyond those that we have already faced including the changing way in which people want to access services. The Plan will need to consider how we deliver such a fundamental shift in the capacity of local government and public services more generally.
- 6.7. We know this will take time and investment and also a broad engagement with all those affected, both inside and outside the organisation. We therefore intend to retain our reserves capacity to maximise our flexibility as we face the challenges ahead.

7. Assistant Director for Finance and ICT: Statement

- 7.1. The following statement from the Assistant Director for Finance and ICT is noted:

“The 2003 Local Government Act places specific responsibilities on me, as “Chief Financial Officer”, to report on the robustness of the budget and the adequacy of proposed financial reserves when the authority is considering its budget requirement. The Council is required to have regard to this report when it sets the budget. There are a range of other safeguards that I must also consider to prevent the Local Authority from over committing itself financially, including:

- *the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992);*
- *the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs (section 151 of the Local Government Act 1972).*

Given the uncertainties of the economic environment and the scale of the expenditure reductions required and the growing demands on services, there are significant risks facing the Authority in delivering a balanced budget. In fulfilling the various responsibilities placed on me as Chief Financial Officer, I have set out below, what I see as the key risks associated with the proposed budget and how they can be managed, so that Members are clear on the risks associated with these budget proposals when making their budget decision.

Risk 1 – Delivery of the Savings Plan

The savings plan needs to be fully implemented to ensure the Council's 2019/20 budget remains balanced and sustainable into the future. To mitigate this risk:

- *key policy changes associated with major savings proposals have been identified;*
- *Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders have been charged with ensuring that processes are in place to ensure that savings proposals are delivered to timetable, and*
- *If savings proposals are not delivered, Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders are required to identify alternative ways of meeting the savings targets.*
- *Monitoring of the delivery of the savings plan will be extended to include the monitoring of consultation timelines to ensure decisions are taken in a timely manner and implementation timescales are met*

Risk 2 – Business Rates Retention Scheme and Local Government Funding

The changes to the funding of Local Authorities, making us more dependent on the level of business rates collected locally, is likely to result in volatility to the Council's funding to a greater extent than in previous years. This places greater importance on the need to maintain reserves to manage any volatility. There is also greater uncertainty with the pending Fair Funding review of local government and how this may affect the resources available to the Council.

Risk 3 – Pensions

Given the range of possible changes to the Local Government Pension Scheme, this remains a key risk for the Council, in terms of possible costs arising from any new scheme and the financial consequences of large numbers of staff leaving the scheme.

Risk 4 - Treasury Management

The level of interest receipts and return on Treasury Management activities and borrowing costs are subject to market rates. Members are advised of this risk each year and this is mitigated by application of the Council's annual Treasury Management Strategy. However, actual interest returns/costs are determined by a variety of factors largely outside the Council's control.

Risk 5 – Repayment of Overspends

Arrangements have been put in place through the quarterly One Organisation Plan progress reports to Cabinet and this budget resolution to stabilise the financial position of those services overspending. If overspends occur in future years, services will be faced with seeking to deliver additional savings to repay overspends as well as

delivering considerable savings targets in 2019/20. The flexibility to manage this through service reserves is reduced as a result of the use proposed in this resolution.

Risk 6 – Impact on the Medium Term Financial Planning Framework

The Medium Term Financial Planning Framework outlines the significant additional financial challenge to the authority in future years. Given the extent of this challenge Members are advised it is important that decisions taken in agreeing the 2019/20 budget do not increase this financial risk. The commitment of Members to meet the financial challenges ahead and take the decisions needed to ensure the finances of the authority remain robust into the future is welcomed.

The budget information used in preparing this budget resolution has undergone extensive scrutiny by:

- *Assistant Directors and their staff*
- *Staff within the Finance Service*
- *Corporate Board*

In addition to this I have worked closely with members in preparing this budget resolution. In overall terms I am of the view that this revenue budget has been prepared on realistic assumptions and that it represents a robust, albeit challenging, budget.

I have also undertaken a risk analysis of the adequacy of financial reserves, taking account of the financial risks above. This highlighted the need to retain a minimum of £18.5 million in general reserves in 2019/20. This resolution makes provision for this level of reserves. I am therefore of the view that this budget does provide for an adequate level of reserves.”

8. Summary of Service Estimates

8.1. Approval be given to the individual service net revenue estimates of:

	Controllable Budget £	Revenue Allocations £	Funding Sources £	Total £
Education Services	99,853,722	5,259,000	(156,000)	104,956,722
Environment Services	43,993,053	814,000	(884,000)	43,923,053
Fire and Rescue Service	19,215,312	1,524,000	(369,000)	20,370,312
Strategic Commissioner - Communities	5,648,051	1,533,000	(862,000)	6,319,051
Adult Social Care	142,679,995	12,288,000	(2,240,000)	152,727,995
Children and Families	59,841,206	8,076,000	(4,930,000)	62,987,206
Strategic Commissioner - People	35,057,296	781,000	(2,820,000)	33,018,296
Business and Customer Services	8,261,598	486,000	(125,000)	8,622,598
Commissioning Support Unit	3,461,203	81,000	(150,000)	3,392,203
Enabling Services	21,103,463	618,000	(735,000)	20,986,463
Finance and ICT	4,154,699	136,000	(95,000)	4,195,699
Governance and Policy	2,638,331	267,000	(855,000)	2,050,331
Other Services - spending	44,716,579	7,314,000	-	52,030,579
Other Services - schools and funding	(142,690,996)	-	(67,821,000)	(210,511,996)
	347,933,512	39,177,000	(82,042,000)	305,068,512
<u>Contributions to/(from) reserves:</u>				
- Service Reserves	(2,655,500)	-	(673,000)	(3,328,500)
- General Reserves	(1,315,000)	-	(2,047,595)	(3,362,595)
Budget Requirement	343,963,012	39,177,000	(84,762,595)	298,377,417

9. Council Tax Requirement

9.1. Approval is given to a council tax requirement and a Band D Council Tax for the County Council for the year ending 31 March 2020 as follows:

	£
Budget Requirement	298,377,417.00
Less Council Tax Surplus on Collection	(1,453,484.00)
Council Tax Requirement for the year ended 31 March 2020	296,923,933.00
Divided by aggregate Council Tax Base for the County Area	207,376.63

10. Council Tax

- 10.1. The council tax for 2019/20 is increasing by 4.99%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	954.5400
Band B	1,113.6300
Band C	1,272.7200
Band D	1,431.8100
Band E	1,749.9900
Band F	2,068.1700
Band G	2,386.3500
Band H	2,863.6200

11. Precepts

- 11.1. The Joint Managing Director (Resources) is authorised to issue the 2019/20 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	29,807,649.65
Nuneaton and Bedworth Borough Council	53,927,405.47
Rugby Borough Council	53,663,866.52
Stratford-on-Avon District Council	79,949,063.13
Warwick District Council	79,575,947.76

12. Budget Management

- 12.1. The Chief Executive is directly responsible for the implementation of the budget.
- 12.2. Cabinet will continue to receive quarterly reports on service performance, financial performance and progress on the delivery of the savings plans.
- 12.3. The Chief Executive and Strategic Director of Resources are authorised to vire revenue budgets between Services where such virements are as a direct

consequence of the specific spending allocations, delivery of the savings targets, invest-to-save projects and funding strategies contained in this resolution and the accompanying capital budget resolution.

- 12.4. The Chief Executive and Strategic Director of Resources, in consultation with the Leader, are authorised to reverse allocations made as part of this budget process where the investment does not progress.
- 12.5. The Chief Executive and Strategic Director of Resources are authorised to draw down from reserves accumulated from previous years' savings and vire money between reserves where these adjustments are as a direct consequence of the specific spending allocations, delivery of the savings targets (including where there are revenue savings from using the receipt from the sale of assets to repay debt and savings from the pro-active management of the authority's cash balances and the transfer of functions between Services), invest-to-save projects and funding strategies contained in this resolution and the accompanying capital budget resolution.
- 12.6. The Chief Executive and Strategic Director of Resources are authorised to make the necessary budget adjustments to fund the new responsibilities given to the County Council during the year, or where responsibility for services transfers out, up to the level of Government funding provided/withdrawn.
- 12.7. The Chief Executive is instructed to remind the Strategic Directors, the Chief Fire Officer and Assistant Directors that budgets must not be overspent and that effective budget management arrangements should be the cornerstone of Services' work to secure value for money.
- 12.8. Services, and also schools, are encouraged to take a medium term view of spending commitments and ensure a prudent approach is adopted in entering into initiatives which create commitments in future years and developing clear strategies for the utilisation of service reserves.
- 12.9. All member bodies, Members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic Directors, Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.
- 12.10. That authority is given for all necessary tenders to be obtained and contracts to be completed to give effect to this budget, subject to compliance with Contract Standing Orders, Financial Regulations and the key decision regime.

13. Pay Policy

- 13.1. Section 38 of the Localism Act 2011 requires us, as a local authority to prepare and approve an annual pay policy statement by 31 March, immediately preceding the year to which it relates.
- 13.2. The pay policy statement must set out the authority's policies for the financial year relating to the remuneration of chief officers (which, in the case of the County Council, includes the Chief Executive, Strategic Directors and Assistant Directors) and the remuneration of employees who are not chief officers.
- 13.3. Our pay policy statement that meets these statutory requirements is set out in **Appendix D** and the County Council agrees the application of these remuneration policies for the financial year 2019/20. It also sets out our proposed approach to the payment of exit payments in Section 9.